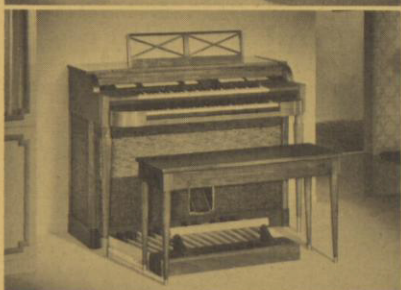
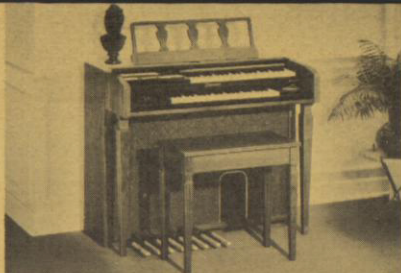


D. H. BALDWIN Company

Annual Report

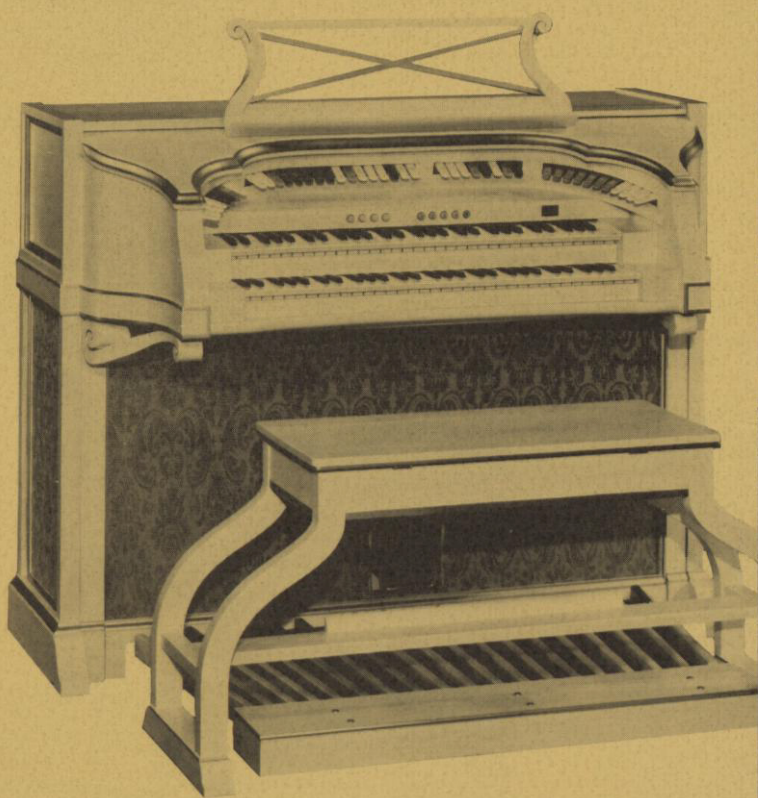
One Hundred and Second Year

Year Ending December 31, 1964



PIANOS • ORGANS
BALDWIN
ELECTRONICS

The Look of Fine Music



The "mighty" theatre organ had its heyday back in that nostalgic era of the 20's and 30's. But today the theatre organ is enjoying a spectacular comeback—making the metamorphosis from silent-movie star to homebody without losing an ounce of glitter or glamor. Thanks to modern electronics, all the shimmering, romantic tones, the big, bold voices, the spritely special effects can be neatly packed in a compact, home-sized console.

In 1964 Baldwin introduced the Model HT-2 home theatre organ—coupling the finest engineering know-how with authentic musical magic in the first true electronic theatre organ.

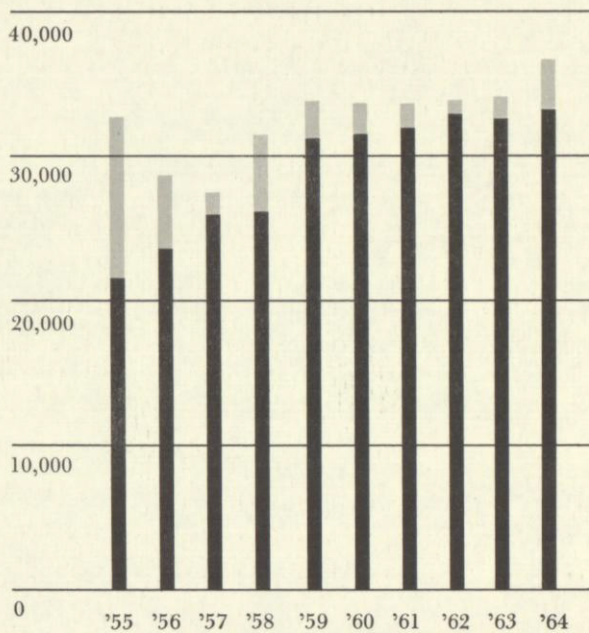
FINANCIAL HIGHLIGHTS

D. H. BALDWIN COMPANY

	1964	1963
Net Sales	\$36,032,268	\$33,969,604
Earnings before taxes	4,013,298	2,393,377
Federal income taxes	1,900,000	1,050,000
Net earnings	2,113,298	1,343,377
Per common share*	\$1.91	\$1.21
Dividends paid on common stock	606,289	551,172
Per common share*	\$.55	\$.50

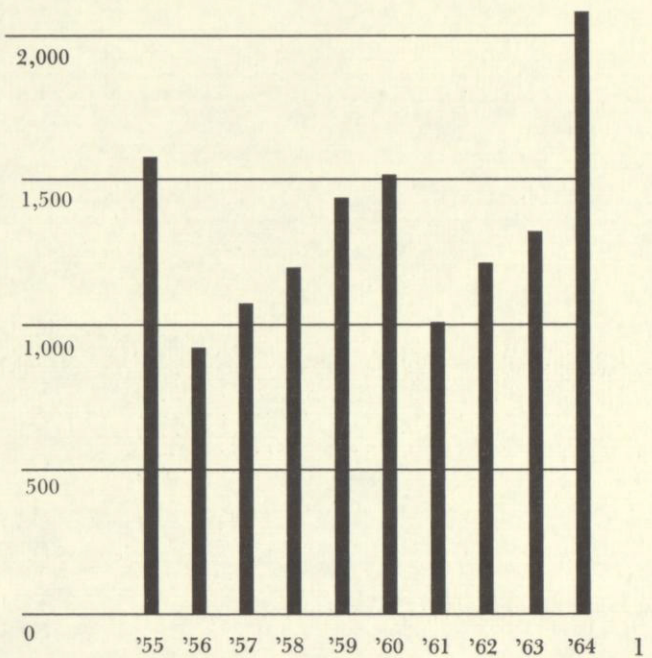
*Adjusted for 2 for 1 stock splits in April 1964 and January 1965.

Net Sales



(In thousands of dollars)

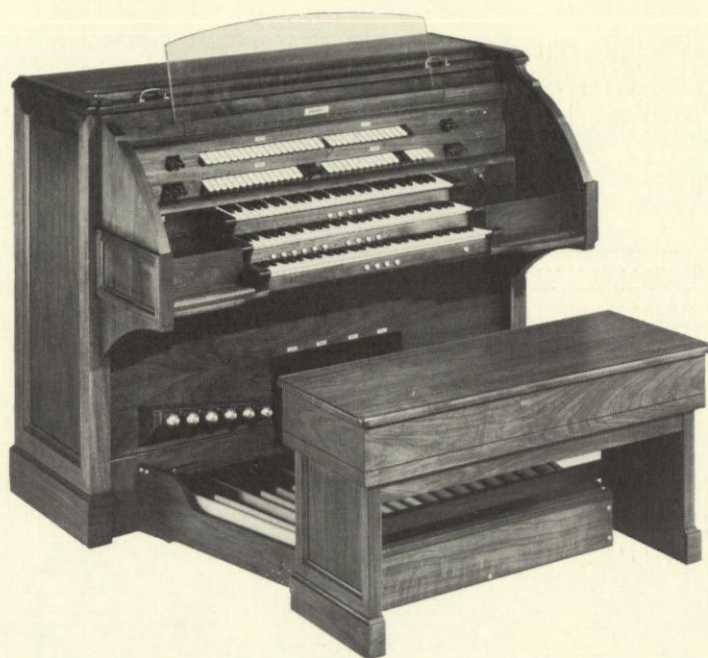
Earnings After Taxes



(In thousands of dollars)

Piano & Organ ■ Other ■

Baldwin brings to the modern worship service the magnificent sound of the traditional church organ interpreted in a truly contemporary tonal design. Outstanding in all Baldwin church models is a fine classic ensemble of appropriate clarity and brightness. Baldwin design engineers and organ consultants have utilized the best qualities of various electronic components to achieve the warmth and broad ensemble so essential in a fine church organ and, at the same time, to retain the distinctive beauty of the solo stops. Built in accordance with the recommended specifications of the American Guild of Organists, Baldwin church organs are suitable for even the most comprehensive church service and have won nationwide acceptance from churches of every size and denomination.



D. H. BALDWIN Company

Annual Report

One Hundred and Second Year



DIRECTORS

Philip Wyman, *Honorary Chairman of the Board*
Robert E. Fanning
William M. Hickey
John F. Jordan
Lawrence H. Kyte
William A. Mitchell
James M. E. Mixter
A. J. Schoenberger
Morley P. Thompson
Eugene Wulsin
Lucien Wulsin

OFFICERS

Lucien Wulsin, *President*
A. J. Schoenberger, *Vice President*
John F. Jordan, *Vice President*
James M. E. Mixter, *Vice President*
Eugene Wulsin, *Vice President*
Morley P. Thompson, *Treasurer*
R. F. Coghill, *Secretary*
Charles G. Lindeman, *Controller*
Irwin Stumborg, *Assistant Treasurer*
R. S. Harrison, *Assistant Treasurer*
L. H. Ellis, *Assistant Secretary*

GENERAL OFFICES:
Cincinnati, Ohio

SUBSIDIARIES:
Baldwin Piano & Organ Company
The Baldwin Piano Company (Canada) Limited
Baldwin Electronics, Inc.
Baldwin Export Corporation
C. Bechstein Pianofortefabrik AG.
Baldwin, S.A., Geneva, Switzerland

MANUFACTURING PLANTS:
Cincinnati, Ohio; Conway, Fayetteville,
Little Rock, Arkansas; Greenwood, Mississippi;
Toronto, Canada; West Berlin and
Karlsruhe, West Germany

AFFILIATE:
Siliconix, Incorporated

DEALERS or COMPANY-OWNED
SALES OUTLETS:

In all principal cities in the
United States, and abroad.

Report of the President to the Stockholders of *D. H. Baldwin Company*

1964 was a fine year for this Company. Our sales showed a modest increase. Our profits, both before and after taxes, increased substantially over 1963. In fact, our sales volume and our profits for 1964 were the highest in the Company's history.

The financial highlights of 1964 are shown on page 1 of this report. The Balance Sheet as of December 31, 1964, with comparative figures for the prior year, is shown on pages 6 and 7. The Statement of Consolidated Income and Earnings Reinvested in the Business is shown on page 8. You should also refer to the explanatory notes to these financial statements which follow. On December 31, 1964, total current assets amounted to \$37,698,000, total current liabilities to \$12,068,000, a ratio of 3.1 to 1.

SALES

Our total sales in 1964 were \$36,032,000 compared with \$33,970,000 in 1963. This represents a 6.1 per cent increase over 1963. Of this total, our sales of pianos and organs were \$33,467,000, showing a 4.4 per cent increase over last year. Our sales of nonmusical items were \$2,565,000, a 34.7 per cent increase over last year. In our keyboard musical instrument sales, our increases in piano sales were general throughout our entire line of both grand and vertical instruments. The total U. S. organ market continues to level off and our dollar sales of our electronic organs show minimal increases. During the year, we continued our policy of promoting the rental purchase of our musical instruments. The numbers of these instruments located with customers have shown a good increase. Until such time as the customer converts a rental to a purchase, these units are carried in our inventory of finished goods.

Our total sales of nonmusical items, such as influence fuzes, digital encoders, and the like, have continued to increase. The dollar volume of influence fuzes is approximately the same as last year. In our line of encoders, however, we have shown good increases.

EARNINGS

After providing for Federal income taxes, earnings for the year 1964 were \$2,113,000, compared with \$1,343,000 in 1963. Our net earnings before provi-

sion of Federal income taxes amounted to \$4,013,000, compared with \$2,393,000 in 1963. Our provisions for Federal income taxes increased from \$1,050,000 to \$1,900,000. The substantial increase in earnings which we have enjoyed this year is indeed most gratifying. It represents the result of many years of planning and effort on the part of the management of this Company. These earnings arise from (1) the increased efficiency of our manufacturing operations, (2) our increased sales volume, and (3) our increased finance business. Earnings of a nonrecurrent nature are insignificant.

The ratio of our earnings to sales has thus shown substantial improvement over our recent past history. It is our intent to maintain this improvement and to press forward even further in those areas of our business where we can improve our profit margins.

FINANCING

A substantial portion of the assets of this Company is devoted to the financing of the purchase by consumers of our products. We offer to the retail customer and to our dealers the advantages of financing with us at reasonable cost. We have enjoyed good experience with our credit risks. We are continuing to expand the volume of consumer musical instrument paper which we carry. The financing of our dealers is also an important part of our finance plan. The musical instruments on our dealers' floors are consigned by Baldwin and carried on our Balance Sheet as Finished Goods Inventory at their cost value.

PRODUCTS

In June, 1964 we introduced a new dimension in tone and style in the field of the entertainment organ. This organ, called the Baldwin Theater Organ HT-2, is pictured on the opening spread of this report. It has been received with great enthusiasm by our entire organization and by persons interested in the scope of its many features and in the lush, full-blown tones it can produce. Deliveries of this theater organ began in November of last year and its initial acceptance is excellent.

Also, we introduced a new concept in the style and finish of our "Vintage 1965" Acrosonic pianos.

These have met with good reception and account for part of our increase in piano sales.

In the nonmusical field, we are continuing to push the limits of the art in the accurate measurement of angles and its translation into digital form.

FOREIGN OPERATIONS

The Baldwin Piano Company (Canada) Limited, enjoyed a profitable year and our organs and pianos continue to be sold throughout the Canadian Commonwealth.

Baldwin S. A., located in Geneva, has shown a sales increase over 1963.

C. Bechstein Pianofortefabrik AG, Berlin and West Germany, continues its production and sale of high-quality grand and vertical pianos.

PERSONNEL

At our Annual Meeting in April, 1964, William M. Hickey was elected to the Board of Directors for a three-year term.

It is clear that our continuing success in the manufacture and sale of musical instruments and electronic items must be based, in large part, on our ability to attract, train, and develop young men and women to carry on the skills and traditions that have characterized this Company in the past. They must be recruited from every segment of society. The current national concern about equal employment opportunity is shared by your Company. We endorse unqualifiedly and have practiced the national policy of the President of the United States and the Congress that all citizens are entitled to equal employment opportunity without regard to their race, creed, color, sex, or national origin. All employees are hired, recruited, and assigned on this basis. The Company's employment policies and practices have been and will continue to be developed to insure that all are treated equally.

On January 1, 1965, R. S. Harrison was elected Assistant Treasurer.

AFFILIATE

This Company continues its interest in Siliconix Incorporated, a manufacturer of field-effect transistors and integrated circuits. The sales of this company showed a marked increase in the last half of 1964; however, the sales for the year did not

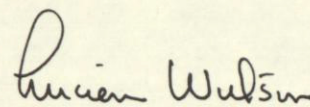
equal the expenditures and the company showed a loss. The products of Siliconix are well accepted in the trade. The increasing demand for reliable micro-electronics should produce increased sales for Siliconix in 1965.

STOCK SPLIT

At our Annual Meeting held in April, 1964, the shareholders authorized a two for one split of the common shares of this Company, so that the shareholders received one new share of stock for each share held on or about the end of April. Again in November, 1964, the Directors authorized an additional stock split of two for one to be effected as a 100 per cent stock dividend at the same time as the regular dividend was increased. This stock split resulted in the shareholders of this Company receiving on or about January 18, 1965, an additional share of stock for each share held. We feel that the successive splits in the shares of this Company will increase the marketability of our shares.

The manufacturing, general marketing, and financing of our products continue to present a real challenge to all of us in the Company. We must stay alert to competitive trends. We must continue to recognize the ever-changing interests, attitudes, and locations of the consumers of our products. As their tastes change, so must we. This ability to meet change is necessary in our own retail stores, our dealer organization, our finance department, our manufacturing department, and our foreign operations. The 1965 consumer will not differ radically from his 1964 counterpart but the national trends toward urban living, increased leisure, product upgrading have and will continue to influence our business. We look forward to participating with our customers, stockholders, and employees in the continued growth of our national economy.

Respectfully Submitted,



President

Cincinnati, March 15, 1965

Consolidated Balance Sheet

D. H. BALDWIN COMPANY AND

ASSETS

	1964	1963
Current Assets:		
Cash.....	\$ 1,296,093	\$ 1,318,899
Receivables, less allowance for possible losses, \$702,226 and \$1,598,834 (note 1).....	16,909,273	12,407,090
Government contracts—billings and inventories (note 2).....	745,558	769,450
Inventories (note 2):		
Finished goods, less allowance for possible losses, \$300,000— 1964 (note 1).....	\$13,316,953	\$10,620,411
Work in process.....	2,617,679	2,341,971
Raw materials and supplies.....	<u>2,548,310</u>	<u>2,292,315</u>
Prepaid expenses.....	264,010	287,031
Total Current Assets	37,697,876	30,037,167
 Investments, Advances and Other Assets at cost, less allowance of \$869,292—1964 (note 1).....	 1,694,103	 1,994,043
 Plant and Equipment—at cost.....	 8,259,865	 9,282,241
Less allowance for depreciation.....	<u>4,786,824</u>	<u>5,483,621</u>
	<u>\$42,865,020</u>	<u>\$35,829,830</u>
<i>See accompanying notes to financial statements.</i>		

LIABILITIES

	1964	1963
Current Liabilities:		
Notes payable	\$ 4,500,000	\$ 2,842,781
Accounts payable	2,930,140	2,001,106
Accrued liabilities	3,548,764	1,846,231
Federal taxes on income	1,088,635	670,191
Total Current Liabilities	12,067,539	7,360,309
Long Term Debt (note 3)	7,000,000	7,000,000
Deferred Taxes (note 4)	3,112,448	2,281,819
Stockholders' Equity (notes 3, 5, 6,):		
Capital stock:		
6% cumulative preferred, par value \$100 per share; authorized 2,327 shares; outstanding 1613 shares	\$ 161,300	\$ 161,300
Cumulative preferred, par value \$100 per share; authorized 60,000 shares; outstanding —none	—	—
Common, par value \$4 per share; authorized 1,500,000 shares; outstanding 551,172 shares	2,204,688	2,204,740
	2,365,988	2,366,040
Earnings capitalized and other additions to capital	254,772	254,720
Earnings reinvested in the business	18,064,273	16,566,942
	<u>20,685,033</u>	<u>19,187,702</u>
	<u>\$42,865,020</u>	<u>\$35,829,830</u>

Statement of Consolidated Income

and Earnings Reinvested in the Business

Year ended December 31, 1964 with comparative figures for 1963

	1964	1963
Income:		
Net sales.....	\$36,032,268	\$33,969,604
Other revenues.....	1,493,313	1,409,885
	<u>37,525,581</u>	<u>35,379,489</u>
Expenses:		
Cost of sales and operating expenses.....	31,526,894	31,074,115
Taxes, other than Federal taxes on income.....	887,091	868,552
Depreciation and amortization.....	540,188	540,187
Interest.....	558,110	503,258
	<u>33,512,283</u>	<u>32,986,112</u>
Income before Federal taxes on income.....	4,013,298	2,393,377
Federal taxes on income.....	<u>1,900,000</u>	<u>1,050,000</u>
Net income for year.....	<u>2,113,298</u>	<u>1,343,377</u>
Earnings reinvested in the business		
at beginning of year.....	<u>16,566,942</u>	<u>15,784,415</u>
	<u>18,680,240</u>	<u>17,127,792</u>
Deduct:		
Dividends declared:		
Preferred stock—\$6.00 per share.....	9,678	9,678
Common stock—\$1.10 and \$1.00 per share....	606,289	551,172
	<u>615,967</u>	<u>560,850</u>
Earnings reinvested in the business		
at end of year.....	<u>\$18,064,273</u>	<u>\$16,566,942</u>
<i>See accompanying notes to financial statements.</i>		

D. H. BALDWIN COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 1964

(1) In 1964 a portion of the allowance for possible losses on receivables was reclassified to provide for any possible losses on dealers consigned inventories and to state the investments in and advances to unconsolidated foreign subsidiaries and an affiliated company at the company's approximate equity in the recorded value of the underlying net assets. These reclassifications had no effect on the consolidated statement of income.

(2) In accordance with the company's consistent policy, inventories are stated at the lower of cost (first-in, first-out) or market with the exception that the valuation of certain work in process includes no manufacturing overhead costs. The omission of this overhead had no material effect upon net income after taxes.

(3) Long term debt is represented by a 5% note, due December 20, 1978, payable in annual installments of \$400,000 commencing in 1966. The loan agreement contains certain restrictions on the payment of dividends on the company's common stock (other than those payable in capital stock of the company), and on the amounts which may be used for the purchase, redemption, or retirement of the company's capital stock. Approximately \$3,133,000 of the earnings reinvested in the business at December 31, 1964 is free of these restrictions.

(4) Deferred taxes represent the liability for future taxes as a result of being on the installment basis of accounting for tax purposes.

(5) The company maintains a stock option plan for certain employees. At December 31, 1964, there were outstanding options to purchase 16,300 shares of common stock at a price not less than the market value on the date of granting.

In connection with the acquisition of a foreign subsidiary in 1963, there is also outstanding a stock option to a former stockholder of the subsidiary to purchase 4,000 shares of common stock of the company at the market value on the date of granting.

(6) In April 1964 the stockholders approved a two for one split of the common stock, changed the par value of such stock from \$8 to \$4 per share, and increased the authorized number of common shares from 500,000 to 1,500,000.

In November 1964 the board of directors declared a two for one stock split (effected in the form of a 100% stock dividend) payable to stockholders as of January 4, 1965. The foregoing resulted in a transfer from earnings reinvested in the business to common stock of \$2,204,688 in January 1965.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
DIXIE TERMINAL BUILDING
CINCINNATI 2, OHIO

The Board of Directors and Stockholders D. H. Baldwin Company:

We have examined the consolidated balance sheet of the D. H. Baldwin Company and subsidiaries as of December 31, 1964 and the related statement of income and earnings reinvested in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earnings reinvested in the business present fairly the financial position of the D. H. Baldwin Company and subsidiaries at December 31, 1964 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Cincinnati, Ohio
March 8, 1965

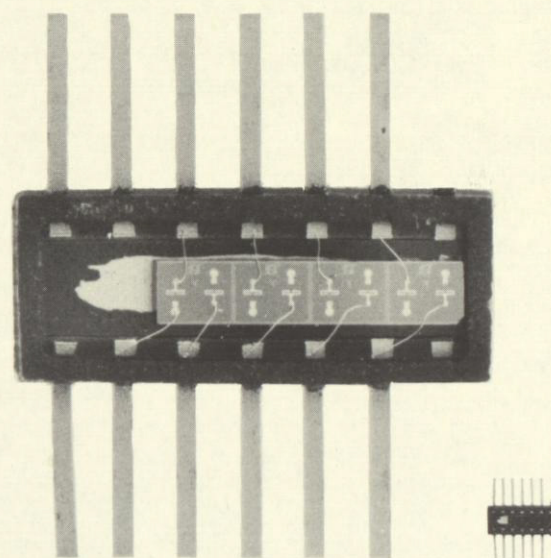
Peat, Marwick, Mitchell & Co.

Ten Year Comparative Statement of Operations

	1964	1963	1962	1961	1960
Total Net Sales	\$36,032	\$33,970	\$33,786	\$33,314	\$33,683
Net Sales—Piano & Organ	33,467	32,066	32,758	31,645	31,427
Net Sales—Other	2,565	1,904	1,028	1,669	2,256
Earnings before taxes on income	4,013	2,393	2,241	1,914	3,211
Federal income taxes	1,900	1,050	1,000	910	1,700
Net earnings for the year	2,113	1,343	1,241	1,004	1,511
Per common share*	\$1.91	\$1.21	\$1.12	\$.90	\$1.36
Cash dividends paid on common stock	606	551	482	413	413
Per common share*	\$.55	\$.50	\$.43¾	\$.37½	\$.37½
Annual earnings reinvested in the business	1,497	783	749	580	1,089
Stockholders' Equity	20,685	19,188	18,405	17,656	17,076
Book value per common share*	\$18.62	\$17.26	\$16.55	\$15.87	\$15.35
<i>*Adjusted for all stock dividends and splits, including the 2 for 1 split in January, 1965. Expressed in dollars.</i>					

(in thousands of dollars)

1959	1958	1957	1956	1955
\$33,811	\$31,334	\$27,419	\$28,685	\$32,523
30,836	26,132	25,771	23,308	21,470
2,975	5,202	1,648	5,377	11,053
3,066	2,552	2,277	2,163	3,697
1,605	1,358	1,187	1,224	2,100
1,461	1,194	1,090	939	1,597
\$1.32	\$1.08	\$.98	\$.84	\$1.44
413	331	276	268	401
\$.37½	\$.30	\$.25	\$.24¼	\$.36½
1,038	853	806	661	1,186
15,987	14,949	14,096	13,290	12,629
\$14.36	\$13.42	\$12.64	\$11.91	\$11.31



Here is a product of Baldwin's research ingenuity, a tiny multi-element solar photocell array shown in actual size and also greatly enlarged. This array contains eight photocell elements inside eight rectangular frames. Each is capable of converting light energy into electrical energy. The elements are 1/1000 of an inch wide and 12/1000 of an inch long. They are precisely aligned and are used to accurately detect the amount of light reaching their surfaces. At present devices such as this are used in our space age electronic products, but they may however appear as components for our musical instruments of the future.

Ozan Marsh
 Dave Brubeck
 Howard Lebow
 Claudio Arrau
 David Bar-Illan
 Leonard Bernstein

Lukas Foss
 Liberace
 Joao Carlos Martins
 Jorge Bolet
 Jeanne-Marie Darré
 Zino Francescatti

Vera Franceschi
 Stewart Gordon
 Howard and Patricia Barr
 Gold and Fizdale
 Lorin Hollander
 Jose Iturbi

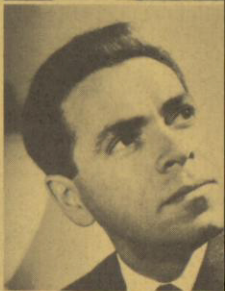
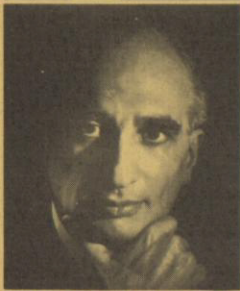
Earl Wild
 The Medleys
 Erroll Garner
 Erich Leinsdorf
 Theodore Lettvin
 Luboshutz and Nemenoff

Raymond Dudley
 Amparo Iturbi
 Hilde Somer
 George Shearing
 Eugene Ormandy
 Thomas Schumacher

Jacques Abram
 Nelson and Neal
 Sidney Foster
 Max Rudolf
 Thomas Schippers
 Abbey Simon

Ruth Slenczynska
 Andre Previn
 Johana Harris
 Richard Tucker
 Beveridge Webster
 Whittemore and Lowe





An increasing number of those who perform, conduct, compose and teach great music specify the Baldwin in preference to any other piano.

These are the best qualified—and the most critical—judges of piano tone and performance. Their testing laboratories are the concert stage, the teaching studio, the television program, the radio broadcast. The piano they use must be of the highest standard of excellence. Few pianos today can meet this test; few are even submitted to it.

The great names in music listed here freely choose Baldwin as the piano which they prefer and request for performance and practice. That choice is indisputable testimony to the superior caliber of every Baldwin.

The qualities which have earned Baldwin this growing acceptance among leading artists—its precise response, clarity of tone and brilliance in performance—will serve you equally well in the Baldwin piano you choose.

*Baldwin Piano & Organ Company
Cincinnati, Ohio 45202*



